

**-STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, CA 94105**

**OAL File No. 06-1122-03C  
File No. RH04034833**

**Date: January 4, 2006**

**Regulations Re: Workers' Compensation Insurance Fraud**

**FINAL TEXT OF REGULATION**

**§ 2698.52. Application Procedure**

(a) A Request for Application (RFA) shall be distributed annually on or before April 1, to each county district attorney in the state and shall include county data indicators, as outlined in Section 2693.5, which form the basis for each district attorney's base allocation.

(b) The RFA shall specify a deadline for submission of applications to the Commissioner, which shall be 30 days after distribution of the RFA.

(c) Any district attorney who fails to submit an application, or whose application is not received by the Commissioner at the address specified in the RFA, by the deadline date and time set forth in the RFA, shall not be considered for funding.

(d) Applications for funding submitted by the district attorneys shall list the County Plan and budget elements as outlined in Section 2693.6 and shall include a Table of Contents to facilitate plan review.

(e) Two or more counties may coordinate planning and submit applications addressing a multi-county area so long as each individual county plan identifies its proportion of the budget.

(f) At such time as the Fraud Assessment Commission makes funds available through initiating an assessment to augment fund availability, the Review Panel, as established by section 2698.52(f) of these regulations, shall analyze applications for the purpose of assisting the Commissioner in making funding determinations using the criteria set forth in section 2698.54 of these regulations. The Commissioner shall make his or her determination and shall obtain the advice and consent of the Fraud Division and the Fraud Assessment Commission, as to the most effective distribution of moneys.

Authority: Section 1872.83(g), Insurance Code  
Reference: Section 1872.83 (g), Insurance Code.

### **§ 2698.53. Funding Procedure**

(a) Funding shall be in the form of a Grant Award Agreement and shall require an enabling resolution approving and authorizing execution of the agreement by the county Board of Supervisors.

(b) Funding shall be distributed on an annual basis in July and funding shall be contingent upon the adoption of each annual State Budget Act and the collection of assessments.

(c) Any portion of distributed funds not used for local program purposes at the termination of each program period as specified in the Request for Application shall be returned to the Workers' Compensation Fraud Account in the Insurance Fund to be reprogrammed for use in the subsequent program year for local program purposes. Counties shall provide the Department with an estimate of unused funds within sixty (60) days after the termination of the program period and shall complete the transfer of funds to the Insurance Fund within thirty (30) days after the completion of the final audit.

(d) A district attorney who has undertaken investigations and prosecutions which will continue into a subsequent year may carry over into the subsequent year distributed but unused funds not exceeding twenty-five percent (25%) of the total annual finding, provided that the district attorney specifies and justifies in writing to the Commissioner how those funds will be used (1) at the end of the program period and (2) at the time of the subsequent application. In the event that distributed, but unused, funds exceed twenty-five (25%) of the previous total annual funding, due to extenuating circumstances, the Commissioner shall consider and approve requests for carry-over to the extent that the district attorney provides justification.

Authority: Section 1872.83(g), Insurance Code  
Reference: Section 1872.83 (g), Insurance Code

### **§ 2698.56. Budget Proposal**

The proposed budget forms the basis for program management and audit and must be presented in line-item detail and cover the period from July 1 through June 30. The budget may include a line item for an independent audit to be completed at the end of the program period. The district attorney's budget shall include, but need not be limited to, the following:

(a) Those salaries and benefits which are computed at the county salary and benefit schedule.

(b) Operation support costs.

(1) Estimated costs shall be listed by line item.

(2) Itemized costs shall conform to county policy regarding appropriateness of expenditures.

(3) Allowable costs are those costs incurred in district support of local program activities, including program related travel, equipment costs proportional to their program-related use,

facilities cost, expert witness fees, audits.

(c) Indirect costs, including those costs not readily itemized but necessary to the local program operation may not exceed ten percent (10%) of personnel salaries (excluding benefits and overtime) or five percent (5%) of total direct program costs (excluding equipment). Counties must have on file an approved indirect cost allocation plan specifying how the rate was established, supported by formal accounting records to substantiate the charges. Indirect costs may not include any line item charged as a direct cost.

(d) Non-allowable budget items include:

(1) Real property purchases and improvements;

(2) Aircraft or motor vehicles, except the purchase of motor vehicles which is specifically justified to the Commissioner;

(3) Interest payments;

(4) Food and beverages, except as purchased in connection with program-related travel;

(5) Weapons or ammunition unless included as part of a benefit package.

(e) Program funds must be used to support enhanced investigation and prosecution of workers' compensation insurance fraud and shall not be used to supplant funds which, in the absence of program funds, would be made available for any portion of the local workers' compensation insurance fraud program. Budget modifications are allowable so long as they do not change the grant award amount.

(f) Budget modifications are allowable so long as they do not change the grant award amount.

Authority: Section 1872.83(g), Insurance Code

Reference: Section 1872.83 (g), Insurance Code